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MARKET ACCESS SECRETARIAT
Global Analysis Report

Foodservice Profile
China

August 2016

EXECUTIVE SUMMARY

The Chinese foodservice sector is the largest in the world, with 7.8 million outlets and sales valued at US$560.5 billion in 2014. The industry has seen impressive gains over the past five years, registering a compound annual growth rate (CAGR) of 11.5% since the US$325.5 billion recorded in 2009. Future growth is expected to remain a strong but decelerated 9.6% to 2019, as consumers rein in their spending and the industry works to overcome increasing operating costs as well as the fallout of food safety scares.

Full-service restaurants is the industry's top subsector representing 74.1% of total foodservice value sales in 2014 with US$414.7 billion, and is expected to remain as such with sales of US$602.3 billion forecast for 2019. Fast food is the second-largest subsector, representing 23% of total sales in 2014 with US$125.1 billion, and forecasts to reach US$180.2 billion by 2019. However, the third-largest subsector, cafés/bars, while still a small share of the overall market, is expected to almost double its 2014 sales value of US$11.9 billion, following an impressive CAGR of 12.9% over the 2014-2019 forecast period to reach US$20 billion.

Yum! Brands is the largest foodservice provider in China, with total sales of over US$8.7 billion in 2014. It's top brands include powerhouses KFC, Pizza Hut and Little Sheep. However, McDonald's (ranked second) and Starbucks (ranked fourth) are also core players in the Chinese market, both undertaking rapid expansion plans and menu innovations to attract a broad consumer base, and have each gained a solid foothold on the market.

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POSITIONING FOODSERVICE IN THE WORLD

Top 5 Foodservice Companies Worldwide, US$ Millions

Company	International Foodservice Sales	Foodservice Sales in China
1. McDonald's Corp	89,126.0	3,264.9
2. Yum! Brands Inc	44,140.0	8,758.9
3. Doctor's Associates Inc	20,137.0	106.4
4. Seven & I Holdings Co Ltd	18,026.2	21.0
5. Burger King Worldwide Inc	17,885.8	169.4

Source: *Euromonitor International, 2015*

Top 10 Foodservice Markets Worldwide in 2014, US$ Billions

Country	Retail Sales
1. China	**560.4**
2. United States	506.2
3. Japan	204.0
4. Brazil	144.6
5. India	102.7
6. Spain	99.7
7. Italy	98.2
8. United Kingdom	93.0
9. South Korea	72.6
10. France	63.6

Source: *Euromonitor International, 2015*

Top Agri-Food and Seafood Importers Worldwide, 2013

Country	Imports US$ billions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
United States	136.9	Canada 19.4%	Mexico 15.4%	China 5.2%	19.4%
China	121.6	United States 23.6%	Brazil 17.7%	Australia 6.7%	4.6%
Germany	108.3	Netherlands 19.2%	France 8.5%	Italy 7.6%	0.4%
Japan	73.6	United States 22.5%	China 13.5%	Thailand 5.8%	5.7%
United Kingdom	70.7	Netherlands 14.1 %	France 10.3%	Ireland 9.7%	0.8%
Netherlands	69.9	Germany 17.5%	Belgium 12.2%	Brazil 6.9%	0.4%
France	65.3	Spain 13.0%	Netherlands 12.0%	Belgium 11.6%	0.5%
Italy	56.2	Germany 14.4%	France 13.6%	Spain 10.8%	1.4%
Belgium	43.3	Netherlands 25.6%	France 21.8%	Germany 11.3%	1.0%
Russia	40.5	Belarus 9.3%	Brazil 8.9%	China 5.0%	1.2%

Source: *Global Trade Atlas, 2015*

Agri-Food and Seafood Products Export Gap, 2014 (US$ Millions)

	2010	2011	2012	2013	2014	% CAGR* 2010-14
Chinese Imports from the World	71,906.19	93,894.22	111,498.03	117,986.69	121,630.31	22.6%
Chinese Imports from Canada	3,003.00	3,143.40	5,355.62	5,771.67	5,581.15	21.5%
Gross Export Gap with Canada	68,903.20	90,750.82	106,142.41	112,215.01	116,049.16	22.7%

Source: *Global Trade Atlas, September 2015* ****CAGR:*** *Compound Annual Growth Rate.*

CONSUMER ATTITUDES AND ECONOMIC DRIVERS

Eating out remains a popular practice in China, particularly in larger groups as a way to gather, celebrate, and socialize with friends and family. As well, increasingly time-pressed schedules are resulting in more demand for the convenience foodservice offers, be it buying breakfast on the way to work, holding a business meeting over coffee, or going out with family for dinner because it's easier than cooking at home. According to a Unilever Food Solutions survey, over 85% of Chinese consumers eat out *at least* once a week. This frequency means that consumers are always looking for new and unique offerings, and are more and more interested in exotic fare and cultural food fusions (Euromonitor International, August 2014-c).

However, increasing costs of living, including food and ingredient prices, coupled with more food safety scandals, have caused many consumers to become even more cautious of their expenditures at foodservice establishments. As well, anti-extravagance government policies have negatively impacted sales growth, particularly within higher-end establishments, which is affecting the industry overall (Euromonitor International, August 2014-c).

In this environment, operators must be innovative in terms of value-for-money, health and wellness, and even technology in order to maintain market share. The use of safe and high-quality ingredients within low- to middle-range dishes will be a key approach to sustaining consumer interest. Home delivery is also quickly gaining popularity in China, especially among busy urbanites, and will likely become an important service used to differentiate establishments, and the value they can offer consumers (Euromonitor International, August 2014-c). As shown in the table below, while eating in remains the prevalent option within the foodservice industry, representing 89.0% of total sales in 2014, it is slowly losing share to both takeaway and home delivery options

Chinese Foodservice Sector by Distribution Type,
Historic and Forecast % Breakdown Based on Retail Value Sales

Type	2010	2011	2012	2013	2014	2015 F	2016 F	2017 F	2018 F	2019 F
Eat In	90.8	90.6	90.3	89.5	89.0	88.4	87.9	87.3	86.7	86.5
Takeaway	7.4	7.4	7.6	8.2	8.5	8.8	9.1	9.4	9.8	9.7
Home delivery	1.7	1.9	2.0	2.2	2.4	2.6	2.9	3.1	3.3	3.5
Drive-through	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3

Source: *Euromonitor International, 2015* ***F*** *= Forecast*
Note: *Column totals may not add to exactly 100% due to rounding.*

The use of technology and social media to engage consumers and create a broader but streamlined experience, is also becoming more prevalent within day-to-day operations across the industry, and is expected to continue expanding. For example, many players have partnered with websites such as Ele.me, Fanting.com and Waimaichaoren.com which provide full menus from various restaurants, as well as ordering and home delivery services that consumers can access from their smartphone. Some companies have launched mobile applications for their brand, allowing consumers to reserve a table, place an order for delivery or pick-up, and write a review of their experience. A common and successful web strategy is to post discount codes, exclusive online coupons or special offers, encouraging customers to utilize their service (Euromonitor International, August 2014-c).

Technological advances have also been made to keep consumers engaged while eating in, including the use of iPads or mobile devices at full-service restaurants instead of menus, from which patrons can order directly. Even robot chefs, which can prepare meals based on a programmed menu, are increasingly being employed by fast-food establishments, as a means to accelerate order preparation during peak times, while ensuring the consistency of the eating experience (Euromonitor International, August 2014-c).

THE OVERALL FOODSERVICE ENVIRONMENT

The Chinese foodservice industry was valued at US$560.4 billion in 2014, having grown at a CAGR of 10.1% since 2010. Growth is expected to slow somewhat over the forecast period, with sales reaching US$814.5 billion in 2019. Full-service restaurants is the dominant subsector and is expected to remain so through 2019, but 100% home delivery/takeaway is the fastest growing subsector over both the historic and forecast review periods, with a CAGR of 23.8% from 2010-2014, and 20.6% from 2015-2019.

Independent operators remain the dominant foodservice type in China, representing 91.2% of total sales in 2014, but chained establishments have seen sales grow at a faster rate, with a CAGR of 9.8% from 2010 to 2014. This trend is expected to carry through the forecast period, with chained operators gaining slightly more share to represent 10.2% of total foodservice sales by 2019.

Historic Value Sales and Growth of Chinese Foodservice by Subsector, US$ Millions

Subsector	2010	2011	2012	2013	2014	% CAGR* 2010-14
Total consumer foodservice	381,304.7	432,890.2	476,114.7	515,182.6	560,431.3	10.1
Full-service restaurants	279,210.7	318,146.2	350,204.7	379,293.3	414,725.5	10.4
Fast food	88,364.4	99,261.5	108,685.8	116,743.2	124,760.2	9.0
Cafés/bars	6,871.4	8,091.5	9,346.7	10,721.3	11,934.4	14.8
Street stalls/kiosks	6,417.2	6,884.8	7,290.8	7,753.3	8,258.1	6.5
Self-service cafeterias	369.4	421.9	485.2	541.1	584.7	12.2
100% home delivery/takeaway	71.7	84.3	101.3	130.4	168.4	23.8
Pizza consumer foodservice**	1,428.6	1,730.2	2,170.2	2,586.2	3,103.5	21.4

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

Forecast Value Sales and Growth of Chinese Foodservice by Subsector, US$ Millions

Subsector	2015	2016	2017	2018	2019	% CAGR* 2015-19
Total consumer foodservice	608,721.7	659,060.3	710,234.8	762,201.8	814,511.3	7.6
Full-service restaurants	450,806.7	488,291.0	526,153.5	564,290.9	602,311.3	7.5
Fast food	134,819.9	145,459.5	156,496.8	167,961.2	179,809.4	7.5
Cafés/bars	13,443.4	15,006.6	16,651.5	18,392.1	20,208.2	10.7
Street stalls/kiosks	8,805.5	9,365.4	9,910.4	10,442.4	10,968.7	5.6
Self-service cafeterias	634.8	675.9	707.2	737.6	766.7	4.8
100% home delivery/takeaway	211.4	261.8	315.5	377.6	446.9	20.6
Pizza consumer foodservice**	3,813.6	4,625.0	5,530.1	6,555.7	7,702.3	19.2

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

Historic Value Sales and Growth of Chinese Foodservice by Type, US$ Millions

Type	2010	2011	2012	2013	2014	% CAGR* 2010-14
Total consumer foodservice	381,304.7	432,890.2	476,114.7	515,182.6	560,431.3	10.1
Independent consumer foodservice	350,683.0	396,377.6	434,134.8	469,573.1	511,110.4	9.8
Chained consumer foodservice	30,621.7	36,512.6	41,979.9	45,609.5	49,321.0	12.7

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

Forecast Value Sales and Growth of Chinese Foodservice by Type, US$ Millions

Type	2015	2016	2017	2018	2019	% CAGR* 2015-19
Total consumer foodservice	608,721.7	659,060.3	710,234.8	762,201.8	814,511.3	7.6%
Independent consumer foodservice	553,522.3	597,716.7	642,503.3	687,797.3	733,213.1	7.3
Chained consumer foodservice	55,199.4	61,343.5	67,731.5	74,404.5	81,298.2	10.2%

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

As shown in the table on the following page, the average foodservice outlet in China made US$71,981 in sales in 2014, from over 146 billion transactions. At the top end of the spectrum in terms of sales per outlet was pizza foodservice, with over US$1 million, as well as the highest spend per transaction at US$23.18. This ranking is expected to remain through to 2019, when pizza establishments will register sales of over US$1.3 million per outlet, and US$27.52 per transaction. This can largely be attributed to the growing popularity of pizza establishments in China, as well as their typically higher-priced menu items.

Historic Outlets and Transactions of Chinese Foodservice by Subsector, 2014
Fixed 2014 Exchange Rate

Subsector	Outlets	Transactions (Millions)	Average Sales per Outlet (US$)	Average Sales per Transaction (US$)
Total consumer foodservice	7,785,767	146,619.0	71,981.5	3.82
Full-service restaurants	5,849,693	45,418.3	414,725.5	53.41
Fast food	1,530,300	89,737.1	81,526.6	1.39
Cafés/bars	29,415	952.9	405,724.9	12.52
Street stalls/kiosks	374,219	10,365.8	22,067.5	0.80
100% home delivery/takeaway	263	9.6	640,304.1	17.54
Self-service cafeterias	1,877	135.3	311,507.7	4.32
Pizza consumer foodservice**	2,793	134.6	1,117,167.7	23.18

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

Forecast Outlets and Transactions of Chinese Foodservice by Subsector, 2019
Fixed 2014 Exchange Rate

Subsector	Outlets	Transactions (Millions)	Average Sales per Outlet (US$)	Average Sales per Transaction (US$)
Total consumer foodservice	9,392,345	172,227.8	86,720.7	4.73
Full-service restaurants	7,118,058	54,121.6	84,617.3	11.13
Fast food	1,827,908	105,862.2	98,368.9	1.70
Cafés/bars	39,517	1,335.4	511,379.9	15.13
Street stalls/kiosks	404,284	10,730.8	27,131.1	1.02
100% home delivery/takeaway	553	19.8	808,137.4	22.57
Self-service cafeterias	2,025	158.0	378,617.2	4.85
Pizza consumer foodservice**	5,713	279.9	1,348,205.8	27.52

Source: *Euromonitor International, 2015* ****CAGR*** *= compound annual growth rate*

***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

FULL-SERVICE RESTAURANTS

Full-service restaurants, largely comprised of independent, family-owned businesses, are the dominant foodservice category in China, serving almost exclusively Asian cuisine, as shown in the table on the following page. Hot pot cuisine is the most prevalent Asian style, although Cantonese, Sichuan, Beijingese, and Shanghainese cuisines are popular as well. It has been difficult for chains to replicate Asian cuisine on a large scale, due to regional taste differences, numerous cooking techniques, and the need for fresh materials. In recent years, fusion foods and Western cuisine, particularly pizza, have also grown in popularity, as Chinese consumers are seeking new and different taste experiences. Operators are also introducing new menu offerings such as "late night" or "tea time" fare, and other affordable snack-like products, to increase sales during non-traditional meal times (Euromonitor International, October 2015-d).

Chinese Full-Service Restaurants by Type,
Historic % Breakdown Based on Retail Value Sales

Type	2010	2011	2012	2013	2014
Asian FSR	99.0	99.0	98.9	98.8	95.8
Pizza FSR	0.5	0.5	0.6	0.7	0.7
European FSR	0.1	0.2	0.2	0.2	0.2
North American FSR	0.02	0.03	0.02	0.03	0.03
Other FSR	0.3	0.3	0.3	0.3	0.3

Source: *Calculated using data from Euromonitor International, August 2014-d*
Note: *Column totals may not add to exactly 100% due to rounding.*

Chinese Full-Service Restaurants by Type,
Forecast % Breakdown Based on Retail Value Sales

Type	2015	2016	2017	2018	2019
Asian FSR	92.8	89.9	87.2	84.6	83.5
Pizza FSR	0.7	0.8	0.8	0.8	0.9
European FSR	0.2	0.2	0.2	0.2	0.2
North American FSR	0.03	0.03	0.03	0.03	0.03
Other FSR	0.3	0.3	0.3	0.3	0.3

Source: *Calculated using data from Euromonitor International, August 2015*
Note: *Column totals may not add to exactly 100% due to rounding.*

Between 2010 and 2014, the full-service restaurant subsector registered a CAGR of 6.2% to reach sales of US$414.7 billion, making it the largest category within Chinese consumer foodservice. In the same year, full-service restaurants saw over 45 billion transactions among approximately 7.7 million outlets, averaging sales of US$66,377 per outlet and US$ 3.67 per transaction. Strong but decelerated growth is expected to continue over the forecast period, with a CAGR of 3.8% and anticipated sales of US$733.2 billion in 2019.

Pizza Hut is the topmost chained brand within full-service restaurants in China, representing 9.4% of total sales value in this subsector, as shown in the table below. This chain features a diverse range of cuisine that goes far beyond pizza, including pasta, salads, chicken and beef meals, and smoothies, positioning itself as a family restaurant with high-quality fare (ThinkingChinese.com). By the end of the 2014 year, Pizza Hut had a total of 1,030 outlets across the country, and had successfully introduced diverse breakfast options, such as sandwiches, coffee, dumplings and porridge, to attract the growing demographic of morning patrons (Euromonitor International, October 2015-d).

Top Five Chained Brands in the Chinese Full-Service Restaurant Subsector,
Historic % Breakdown Based on Retail Value Sales

Brand	Company	2011	2012	2013	2014
Pizza Hut	Yum! Brands Inc	6.3	7.6	8.5	9.4
Xiao Wei Yang	Inner Mongolia Xiao Wei Yang Chained Food Service Co Ltd	3.3	3.9	3.7	3.5
Quanjude	China Quanjude (Group) Co Ltd	2.7	2.6	2.4	2.2
Little Sheep	Yum! Brands Inc	-	3.0	2.2	2.0
South Beauty	Beijing South Beauty Catering Co Ltd	1.8	2.0	2.1	1.9

Source: *Euromonitor International, August 2015*

FAST FOOD

Due to fast-paced lifestyles and a need for convenience, consumers are turning to fast food in increasing number, particularly in first- and second-tier cities. Independently-operated Asian cuisine dominates the fast food subsector, even though chained restaurants hold the largest individual market shares. Health awareness has affected the offerings within fast food, with more innovative flavours, healthier formulations and limited time offerings popping up to keep consumers interested, while trying to break the perception of fast food as inherently unhealthy. (Euromonitor International, October 2015-b).

Chinese Fast Food by Type,
Historic % Breakdown Based on Retail Value Sales

Type	2010	2011	2012	2013	2014
Asian fast food	86.6	85.4	85.9	86.3	86.6
Chicken fast food	9.0	9.9	8.9	8.5	9.0
Burger fast food	2.6	2.8	3.1	3.0	2.6
Ice cream fast food	0.5	0.6	0.7	0.7	0.5
Bakery products fast food	0.7	0.7	0.7	0.7	0.7
Convenience stores fast food	0.2	0.2	0.2	0.2	0.2

Source: *Calculated using data from Euromonitor International, October 2015-b*
Note: *Column totals may not add to exactly 100% due to rounding.*

Chinese Fast Food by Type,
Forecast % Breakdown Based on Retail Value Sales

Type	2015	2016	2017	2018	2019
Asian fast food	95.8	95.7	95.5	95.4%	95.3
Chicken fast food	2.5	2.6	2.6	2.6	2.6
Burger fast food	0.9	0.9	1.0	1.0	1.1
Convenience stores fast food	0.3	0.3	0.3	0.3	0.3
Ice cream fast food	0.2	0.2	0.2	0.2	0.2
Bakery products fast food	0.2	0.2	0.2	0.2	0.2

Source: *Calculated using data from Euromonitor International, October 2015-b*
Note: *Column totals may not add to exactly 100% due to rounding.*

The second-largest category within Chinese consumer foodservice, the fast food subsector saw a CAGR of 9.0% between 2010 and 2014, reaching total sales of US$124.7 billion. Almost 1.5 million outlets recorded over 89 billion transactions in 2014. Average sales per outlet totaled US$83,173 with an average transaction value of just US$1.37, the second-lowest across the entire foodservice sector. Future sales growth is expected to slow slightly, with a CAGR of 8.8% forecast between 2014 and 2019 to reach total fast food sales of US$180.2 billion.

The top chained brand within Chinese fast food is KFC, representing 31.3% of the total subsector, despite its market share declining almost 1.6 percentage points from the previous year, the biggest decrease of any brand. KFC is also the country's biggest restaurant chain overall, and currently holds over 4,000 outlets in China, with plans to open 700 more within 2014 (The Associated Press, 2014). The company is currently being challenged by consumer confidence in the brand and is making efforts to tighten controls and rebuild trust in product quality, following two recent poultry supply scares and the associated negative publicity (The Associated Press, 2014; Euromonitor International, August 2014-b).

McDonald's accounts for 15.9% of the fast food market, but 85% of the chained burger fast food market as of 2014. McDonald's has accelerated its expansion into China, opening over 250 new outlets in 2014 alone (Euromonitor International, August 2014-b). A recent food safety scare regarding beef products, however, may impact their sales growth in 2015.

Top Five Chained Brands in the Chinese Fast Food Subsector,
Historic % Breakdown Based on Retail Value Sales

Brand	Company	2011	2012	2013	2014
KFC	Yum! Brands Inc	39.8	39.7	32.9	31.3
McDonald's	McDonald's Corp	15.1	14.9	16.5	15.9
Dicos	Ting Hsin International Group	5.7	6.5	7.3	8.1
cnHLS	Hua Lai Shi Catering Management & Service Co Ltd	3.0	2.8	2.9	3.5
Ajisen Ramen	Shigemitsu Industry Co Ltd	3.6	3.0	3.1	3.2

Source: *Euromonitor International, August 2014-b*

CAFÉS/BARS

This subsector is dominated by traditional teahouses, since coffee houses and bars are still relatively new to China. However, coffee culture is quickly gaining popularity, particularly among young, affluent, Chinese consumers. Specialist coffee shops, such as Starbucks and UBC Coffee, are squeezing out traditional coffee shops due to their unprecedented growth in recent years. These chains are quickly expanding into the less saturated second- and third-tier cities, which is further entrenching coffee culture across the country. As well, key players are diversifying menu offerings to include non-coffee items and dessert offerings in core first-tier markets, to broaden consumer interest. As a result of these efforts, purchasing a morning coffee has become common practice among consumers, particularly from outlets located near office buildings. Coffee shops are popular for the sort of holistic experience they represent, often offering a comfortable and leisurely atmosphere with spacious seating – a seeming contrast to and escape from the typically fast-paced Chinese lifestyle (Euromonitor International, August 2014-a).

Chinese Cafés/Bars by Type,
Historic % Breakdown Based on Retail Value Sales

Type	2010	2011	2012	2013	2014
Bars/pubs	39.6	40.8	41.3	41.5	42.5
Cafés	53.9	50.5	47.3	43.0	39.7
Specialist coffee shops	6.5	8.8	11.4	15.5	17.8

Source: *Calculated using data from Euromonitor International, October 2015-a*
Note: *Column totals may not add to exactly 100% due to rounding.*

Chinese Cafés/Bars by Type,
Forecast % Breakdown Based on Retail Value Sales

Type	2015	2016	1017	2018	2019
Bars/pubs	43.1	44.0	44.9	45.8	46.8
Cafés	36.9	34.6	32.6	30.9	29.3
Specialist coffee shops	20.0	21.4	22.5	23.3	23.8

Source: *Calculated using data from Euromonitor International, October 2015-a*
Note: *Column totals may not add to exactly 100% due to rounding.*

The cafés/bars subsector was valued at US$111.9 billion in 2014, with the bars/pubs category holding 42.5% of that total, followed by cafes (39.7%) and specialist coffee shops (17.8%). Between 2010 and 2014, the overall cafés/bars subsector saw a strong CAGR of 14.8%. The over 29,400 outlets in China recorded 952 million transactions in 2014, with a typical outlet earning US$405,725 and an average transaction value of US$8.0. The growth is expected to slow somewhat over the forecast period with a CAGR of 10.7% until 2019, reaching sales of US$20.2 billion, and the distribution by category is starting to change. By 2019, specialist coffee shops will have grown to represent 23.8% of total sales in this subsector, having absorbed share from traditional cafés.

The top chained brands in the Chinese cafés/bars subsector is Starbucks with a market share of 37.0%. Identifying China as a key growth market, Starbucks' expansion project for 2015 included opening 350 new outlets and this benchmark was actually surpassed, with 440 new stores opened before the end of the year (Euromonitor International, August 2014-a). Xiamen is home to the country's largest Starbucks location, a four-story, 4,300 square foot outlet with a glass patio overlooking the ocean, and the brand's 1,000th Chinese outlet was opened in Beijing in 2013 (Law, 2014). As of August 2014, the brand was on track to open an additional 500 outlets before the end of the year, which would make China Starbucks' second-largest market, surpassing Canada, by the end of 2014 (Law, 2014).

Starbucks has found success in offering product tie-ins aligned with seasons, festivals and special occasions, which are available for a limited time only, generating ongoing consumer interest and maintaining the freshness of the brand (Euromonitor International, August 2014-a). As well, the spacious and welcoming environment of Starbucks outlets has come to be a preferred destination for consumers as almost an extension of their own home – patrons can lounge and relax, get some work done, or meet casually with friends and colleagues (Law, 2014).

Top Five Chained Brands in the Chinese Cafés/Bars Subsector, Historic % Breakdown Based on Retail Value Sales

Brand	Company	2011	2012	2013	2014
Starbucks	Starbucks Corp	17.6	21.5	30.4	37.0
UBC Café	UBC Coffee food Co Ltd	25.4	24.1	20.8	18.8
C Straits Café	Zhejiang Liangan Food Chain Co Ltd	7.3	8.0	7.4	6.7
McCafé	McDonald's Corp	3.5	4.9	5.9	5.7
Costa Coffee	Whitbread Plc	3.8	4.2	5.3	5.2

Source: *Euromonitor International, August 2014-a*

MARKET CONDITIONS

The Chinese foodservice market is large and expanding, but growth is being impacted by consumer hesitance due to rising costs of living, and particularly, food safety scares. According to Euromonitor International, food safety issues and the consumer mistrust they generate are the biggest threat to the consumer foodservice industry, particular full-service restaurants (October 2015-d). Following scares regarding chicken in 2013, and both chicken and beef in 2014, the industry may experience some fallout in terms of slowing sales over the short term. This may bring about remedial attempts on the part of the industry in terms of supplier requirements and the tightening of quality control.

As well, as of November 2012, the National Congress of the Chinese Communist Party announced new and strict restrictions regarding the spending of public funds on commodities deemed as extravagant, in an effort to curb corruption and wastefulness. These restrictions included limiting patronage of higher-end full-service restaurants by government officials, who were among this category's core clientele. As a result, consumption within this type of restaurant has slowed significantly, affecting the sales growth within the foodservice industry overall. As a means to maintain business, many high-end establishments developed new strategies, launching low- and mid-priced dishes and new menu items to attract mass market consumers, rather than just an elite few, while maintaining high-quality service (Euromonitor International, August 2014-c; 2014-d).

CONCLUSION

The Chinese foodservice industry is a dynamic one, with multinational corporations, such as Starbucks, finding favour by providing consumers with unique and interesting offerings in this saturated market. Consumers are demonstrating growing interest in fusion fare and Western cuisine, as well as a keen awareness of quality for value. Demand for technological innovation and expanded services is surging, particularly home delivery, and these are becoming commonplace methods by which companies add value to their brands and expand their customer base. The industry is expected to continue posting growth over the forecast period, although at a slower pace than in the past due to lingering cost-consciousness and food safety concerns. Opportunities for Canadian exporters may be found in supplying high-quality ingredients and trusted food products that suit the diversifying and discerning palate of Chinese foodservice patrons.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
  www.tradecommissioner.gc.ca/cn

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

For additional intelligence on this and other markets, the complete library of Global Analysis reports can be found under *Statistics and Market Information* at the following link, arranged by sector and region of interest:

- ats-sea.agr.gc.ca

For more information on the FHC China exhibition, please contact:

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Foodservice Profile: China
Global Analysis Report

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